



# CONSUMER ALERT

810 FIRST STREET, NE, SUITE 701 | WASHINGTON, DC 20002 | [WWW.DISB.DC.GOV](http://WWW.DISB.DC.GOV)

## Foreclosure Mitigation Kit

- Are you having trouble keeping up with your mortgage payments?
- Have you received a notice from your lender asking you to call about your late payments?
- Are you about to go into foreclosure?

### Don't despair!

The District of Columbia's Department of Insurance, Securities and Banking (DISB) has put together a *Foreclosure Mitigation Kit*, which contains the information you will need to help you with your foreclosure problems.

## Foreclosure Mitigation Kit



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2. *How to Avoid Foreclosure*—Courtesy of the U.S. Department of Housing and Urban Development (HUD)
3. *DC HUD Approved Housing Counseling Agencies*—Courtesy of HUD
4. Neighborhood Legal Services Program, Free Lawyers Available
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6. *Consumer Handbook on Adjustable Rate Mortgages*— Courtesy of the Federal Reserve Board

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### **INTRODUCTION:**

The Department of Insurance, Securities and Banking (DISB) regulates the activities of financial institutions operating within the District of Columbia to protect consumers from unfair practices, promote economic development, and provide a fair financial market that benefits District consumers and businesses.

DISB's Banking Bureau strives to provide a sound and thriving financial-services community that provides the products, credit and capital vital to the needs of District of Columbia residents and businesses. The Banking Bureau charts and regulates District of Columbia banks and non-depository financial institutions such as mortgage lenders and brokers, money transmitters and check cashers.

This *Foreclosure Mitigation Kit* was prepared by the Banking Bureau to assist D.C. residents who may be facing foreclosure. The kit contains information provided by experts in the field to answer questions, and act as a guide to help you through the process of saving your home from foreclosure.

### **Information Provided:**

- Pre-foreclosure
- Foreclosure
- Loan refinance
- Understanding your foreclosure prevention options
- After your home has been saved from foreclosure
- District of Columbia housing authorities

For more information, contact DISB at (202) 727-8000 and ask for the Consumer Complaint staff in the Banking Bureau, or visit our Web site at [www.disb.dc.gov](http://www.disb.dc.gov).

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### **A. PRE-FORECLOSURE:**

In the District of Columbia, the delinquency notice you receive from your lender or loan servicer may contain valuable information about foreclosure prevention options that can help you weather financial problems.

You may also receive a Notice of Intent to Foreclose or a Notice of Foreclosure Sale on your home, which contains important information about pending legal action, and about how you might cure the problem. *Please do not ignore these notices.*

Contact your lender as soon as you realize you may have a problem. Remember, in most cases lenders do not want your house. They have options to help borrowers through difficult financial times. Your failure to open the mail or to pick up a certified letter from the Post Office, will not be an excuse in foreclosure court. *Contact your lender and discuss the situation immediately.*

A D.C.-licensed lender may be willing to work with you in one of several ways.

#### **The most common options offered by lenders are:**

- Refinance
- Special Forbearance Package
- Loan Modification

*By working on the problem early, using the resources made available to you by the District of Columbia and the options offered by your lender, you may be able to avoid foreclosure.*

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### **B. FORECLOSURE:**

In the District of Columbia, after you and your lender have exhausted all attempts to bring your mortgage loan current (usually three payments in arrears) the lender is likely to send you a Notice of Foreclosure Sale by certified mail. This is your lender's official notification that on the date identified on the notice, your house will be sold at a foreclosure sale. The location of the sale and the person to contact about the sale will also be included on the notice.

### **How to Proceed:**

1. Contact your **lender** as soon as you realize you have a problem, to see what options they are willing to offer you.<sup>1</sup>
2. Contact a **D.C. HUD-Approved Housing Counseling Agency**.<sup>2</sup> Housing counselors can help you understand the law and your options, organize your finances and represent you in negotiations with your lender. If you need this assistance, call one of the agencies on the attached list or call (800) 569-4287 or TTY (800) 877-8339.
3. If you have questions regarding broker and lender licensing or need to file a consumer complaint, contact DISB at (202) 727-8000 or send an e-mail to [bankingbureau@dc.gov](mailto:bankingbureau@dc.gov).
4. It is always a good idea to seek the advice of an attorney to protect your interests. Contact Neighborhood Legal Services for free legal services in your area.<sup>3</sup>
5. **Avoid foreclosure prevention companies.** You don't need to pay fees for foreclosure prevention. Many companies will contact you promising to negotiate with your lender on your behalf. While these may be legitimate businesses, they may charge you a hefty fee. For information and services, contact your lender or a HUD-approved housing counselor. They will provide the information free of charge.

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<sup>1</sup> Please see the attached brochure entitled "How to Avoid Foreclosure" by the Department of Housing and Urban Development (HUD)

<sup>2</sup> Please see the attached list of DC HUD Approved Housing Counseling Agencies

<sup>3</sup> Please see the attached telephone numbers for Neighborhood Legal Services

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### **C. LOAN REFINANCE;<sup>4</sup>**

Refinancing involves paying off your current mortgage and replacing it with a new mortgage. It often involves many of the same steps and expenses that were required when you received your original mortgage.

Refinancing may be a good option for homeowners who:

- Want to get out of a high interest rate loan to take advantage of lower rates. This is a good idea only if you intend to stay in the home long enough to make the additional fees worthwhile.
- Have an adjustable-rate mortgage (ARM) and want a fixed-rate loan to have the certainty of knowing exactly what the mortgage payment will be for the life of the loan.
- Want to convert to an ARM with a lower interest rate or more protective features (such as a better rate and payment caps) than the ARM you currently have.
- Want to build up equity more quickly by converting to a loan with a shorter term.
- Want to draw on the equity built up in your home to get cash for a major purchase or for your children's education.

*If you decide not to refinance, ask your lender whether you may be able to obtain all or some of the new terms you want by agreeing to a modification of your existing loan instead of refinancing.*

### **Should You Refinance Your Adjustable Rate Mortgage (ARM)?<sup>5</sup>**

In deciding whether to refinance an ARM, you should consider these questions:

- Is the next interest rate adjustment on your existing loan likely to substantially increase your monthly payments?

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<sup>4</sup> Please see the attached brochure entitled "A Consumer's Guide to Mortgage Refinancing"

<sup>5</sup> Please see the attached brochure entitled "Consumer Handbook on Adjustable Rate Mortgages"

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- Will the new interest rate be two or three percentage points higher than the prevailing rates being offered for either fixed-rate loans or other ARMs?
- Will refinancing to a new ARM or a fixed-rate loan enable you to pay your loan in full by the end of the term?

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### **D. UNDERSTANDING YOUR FORECLOSURE PREVENTION OPTIONS:**

If your problem is *temporary*, call your lender to discuss these possibilities:

- 1. Reinstatement:** Your lender may be willing to accept the total amount owed in a lump sum by a specific date to cure the delinquency.
- 2. Forbearance:** Your lender may allow you to reduce or suspend payments for a short time and then agree to another option to bring your loan current. A forbearance option is often combined with a reinstatement when you know you will have enough money to bring the account current at a specific time. The money might come from a hiring bonus, investment, insurance settlement or tax refund.
- 3. Repayment plan:** You may be able to get an agreement to resume making your regular monthly payments, plus a portion of the past due payments each month until you are caught up.

If it appears that your situation is *long term* or will permanently affect your ability to bring your account current, call your lender to discuss the possibility of a loan modification.

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**Loan Modification:** If you can make payments on your loan but don't have enough money to bring your account current or you can't afford your current payment, your lender may be willing to change the terms of your original loan to make the payments more affordable.

Your loan could be permanently changed in one or more of the following ways:

- a. Adding the missed payments to the existing loan balance.
- b. Changing the interest rate, including making an adjustable rate into a fixed rate.
- c. Extending the number of years you have to repay.

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### **E. AFTER YOUR HOME HAS BEEN SAVED FROM FORECLOSURE:**

**Make it a point to learn about your mortgage rights:**

- a. Find your loan documents and read them so you know what your lender may do if you can't make your payments.
- b. File your loan documents in a safe place, just in case you need to refer to them in the future.
- c. Learn about the D.C. foreclosure laws and what you can do to protect yourself and your home.
- d. Make a list of the names and numbers of the people who helped you avoid foreclosure this time, and keep them handy.



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### **DISTRICT OF COLUMBIA HOUSING AUTHORITIES:**

#### **DC Department of Housing and Community Development (DHCD)**

DHCD provides a number of opportunities to low-to-moderate income residents who seek to become first-time homeowners in the District. DHCD also assists with qualified existing homeowners who need home repairs. For information on any of these programs, [Ask the Director](#) or call (202) 442-7200.

Located at 801 North Capitol Street, NE, Suite 8000

Washington, DC 20002

Web site: [www.dhcd.dc.gov](http://www.dhcd.dc.gov)

#### **DC Housing Finance Agency**

The District of Columbia Housing Finance Agency (HFA) was established in 1979 to stimulate and expand homeownership and rental housing opportunities in Washington, D.C. The HFA accomplishes its mission by issuing tax-exempt Mortgage Revenue Bonds that both lower the cost of financing single-family housing and the costs of acquiring and constructing rental housing. The HFA also operates the Home Resource Center, which is Washington's one-stop shop for home buying information.

Located at 815 Florida Avenue, NW

Washington, DC 20001

(202) 777-1600

Web site: [www.dchfa.org](http://www.dchfa.org)

#### **DC Housing Counseling Services, Inc.**

Housing Counseling Services provides housing counseling, training and advocacy for low- and moderate-income homebuyers, homeowners and tenants in the Washington metropolitan area. The agency works to prevent homelessness and displacement, assist tenants facing eviction, and increase homeownership opportunities. This is a DHCD Community-based Organization.

Located at 2410 17th Street, NW, Suite 100

Washington, DC 20009

(202) 667-7006

#### Information Sources:

Federal Department of Housing and Urban Development (HUD) [www.hud.gov](http://www.hud.gov)

Federal Reserve Board (FRB) [www.frb.gov](http://www.frb.gov)

#### Attachments:

1. "How to Avoid Foreclosure" by the Department of Housing and Urban Development
2. "HUD Approved Housing Agencies" by the Department of Housing and Urban Development
3. Neighborhood Legal Services Program
4. "A Consumer's Guide to Mortgage Refinancing" by the Federal Reserve Board and the Office of Thrift Supervision
5. "Consumer Handbook on Adjustable-Rate Mortgages" by the Federal Reserve Board

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